

**ClearComm**

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August 8, 1997

**VIA HAND DELIVERY**

EX PARTE OR LATE FILED

William E. Kennard, Esq.  
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Federal Communications Commission  
1919 M Street, N.W., Room 614  
Washington, D.C. 20554

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AUG - 8 1997

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

**Re: PCS C Block  
WT Docket No. 97-82**

Dear Mr. Kennard:

In discussion last week with Peter Tenhula of your office and Jon Garcia of the Office of Plans & Policy, we were asked to provide further detail on an item covered in ClearComm's proposals for the C Block, described in our July 29, 1997 ex parte Summary filed with the Commission.

In the Summary, ClearComm proposed that licensees be permitted to insulate their new investors in a particular market from the financial consequences in other markets where the new investors are not participants. The Staff asked ClearComm to describe the method by which the Commission could permit a C Block PCS licensee to finance and develop each license held by it on a "decoupled" or project finance basis without at the same time enabling the licensee to "cherry pick" - - i.e., profit from developing the license in one market while defaulting and abandoning its license debt obligation in another.

For the Commission's consideration, we are enclosing ClearComm's specific proposal in this area.

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William E. Kennard, Esq.  
August 8, 1997  
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We also enclose a copy of ClearComm's July 29, 1997 proposal.

Sincerely,

CLEARCOMM, L.P.



Richard Reiss

John Duffy

Tyrone Brown

(202) 828-4926

Enclosure

cc: Secretary to the Commission  
Jon C. Garcia, Director of Strategic Analysis  
Peter Tenhula, Office of the General Counsel  
Rudolfo Baca, Legal Advisor to Commissioner Quello  
Suzanne Toller, Special Advisor to Commissioner Chong  
David R. Siddall, Legal Advisor to Commissioner Ness  
Kathleen O'Brien Ham, Wireless Telecommunications Bureau  
International Transcription Service

# CLEARCOMM, L.P.

DUPLICATE

July 30, 1997

Jon C. Garcia (Rm. 822)  
Director of Strategic Analysis

Peter A. Tenhula (Rm. 614)  
Special Counsel, Office of General Counsel

Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554

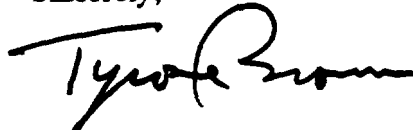
Re: WT Docket No. 97-82  
DA 97-679

Gentlemen:

Thank you for meeting with me and Messrs. Duffy and Lamoso of ClearComm yesterday to discuss difficulties that entrepreneurial C Block companies such as ClearComm are facing in seeking financing to develop their PCS markets. Enclosed is a summary of our views on minimal steps the Commission clearly can take now to demonstrate its commitment to minority ownership and effective competition among PCS service providers.

We wish to emphasize that FCC delay in acting on the proposals before the Agency can by itself create uncertainty in the financial markets that will adversely affect the ability of any C Block licensee to obtain necessary capital.

Sincerely,



Tyrone Brown  
Senior Vice President  
CLEARCOMM, L.P.

cc: **Chairman Hundt**  
**Commissioners**  
**Dan Phythyon**  
**Kathleen O'Brien Ham**  
**Catherine Sandoval**  
**Sande Taxali**  
**International Transcription Service, Inc.**

# CLEARCOMM, L.P.

R: WT Docket No. 97-82  
DA 97-679

## SUMMARY OF COMMENTS OF EX PARTE MEETING With John Garcia, Peter Tenhula, FCC July 29, 1997

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1. **Support for MCI Proposal.** ClearComm continues to believe, as stated in its Comments, that MCI's proposal for restructuring of C Block license debt, described in its May 1, 1997 letter to the Commission, is consistent with the public interest, the underlying statutory mandate and the goals the Commission sought to advance in establishing the Entrepreneurial Block of PCS licenses. These licensees have demonstrated their commitment by paying \$1 billion into the U.S. Treasury. For the most part, those who oppose relief seek to stifle nascent competition. The Commission should address any equitable concerns for F block licensees in an expedited, separate Public Notice proceeding.
2. **Request for Expedited Action.** Uncertainty is now adversely affecting the ability of any C Block licensee to obtain financing. The Commission should act swiftly to restore certainty for licensees and the financial markets. Extended proceedings will actually decrease the value of C Block licenses as entrenched operators increase their lead over entrepreneurs in the marketplace.
3. **Alternative Minimal Proposal.** If the FCC concludes that further consideration is required to implement major restructuring, ClearComm believes the Commission can and should take the following minimal steps now on the basis of the record before it.
  - (a) **Annualization of Interest.** The Commission should act now to place license debt installment payments on an annual basis. This involves no real loss to the Treasury (since interest appears to have been computed on an annual basis), and the Agency can make this change without modifying its Rules.

(b) **Partial Interest Waiver/Acceleration of Buildout.** The Commission should state that it is willing to waive interest payments for the first year where licensees agree to meet their 5-year buildout requirements in four years or less. Similarly, the Agency should waive interest payments for the second year where licensees commit to reach the 5-year goal in three years or less. Such a waiver would be available only if the licensee demonstrates (by certification from its independent auditors) that it has raised funds sufficient for the interest payments and has committed to devote such funds to license development and construction. Thus, licensees would have to show real progress in developing their markets before the waiver would become available and the Commission would further its overriding goal of providing services to consumers as quickly as possible. If the licensee does not meet the accelerated buildout schedule, the waiver(s) would lapse and interest payments for the one-or two-year period would become automatically due and payable.

(c) **Relaxation of Transfer Restrictions.** The Commission should permit C Block licensees, after three years from the date of license grant, to transfer their licenses to nondesignated entities, as long as the license debt is paid off in cash. This will create a "market" for the licenses, but at the same time provide a reasonable three-year opportunity for the entrepreneurial licensee (or another entrepreneurial licensee as transferee) to develop its market. To avoid unjust enrichment, a licensee that takes advantage of this provision would forego any profit in the transaction, but the nondesignated entity that acquires the license would not be required to repay the so-called "benefit" represented by the 25% bidding credit in the C Block auction. Within the meaning of the statute, there is no "unjust enrichment" to the purchasing nondesignated entity. Limited waivers as proposed would represent a significant FCC action in support of C Block licensees and PCS competition. Such waivers will permit the markets (rather than the FCC) to determine which licensees merit further financial backing. Such limited action is far superior to forcing a massive reauction of C Block licenses.

(d) **Permitting Development of Individual Licenses on a Project Finance Basis.** The Commission has asked for comment on the cross-collateralization of licenses - - the possibility that a default in one market would permit the FCC to revoke licenses held by the same entity in other markets (even if there is no default in those markets). Existing security agreements do not provide for such cross-collateralization, and it does not appear that the Government intended to extend its security interest in each particular license to all other PCS licenses held by a designated entity. The FCC should make its position clear on this issue. Further the Commission should make clear that, with appropriate assurances, it will permit an entity to transfer each PCS license and installment note to a separate qualifying subsidiary, in order to permit new investors to finance a particular market without being responsible for the license debt on other markets in which they have not invested. Without the ability to finance each market separately, C Block licensees would face a virtually insurmountable hurdle. The Commission can condition approval of any transfer to a separate licensee upon the express commitment of the original licensee pay over any profits received by it in a particular market to satisfy its license debt in all other markets.

\* \* \*

ClearComm believes that the steps described above will provide flexibility for most C Block licensees to develop their markets, while permitting the FCC to avoid the delay and waste that would inevitably result from any wholesale reauctioning of licenses.

CLEARCOMM, L.P.

John Duffy  
Javier Lomoso  
Tyrone Brown